

## Minutes

<b>Meeting name</b>	CUSC Modifications Panel
<b>Meeting number</b>	174
<b>Date of meeting</b>	29 <sup>th</sup> May 2015
<b>Location</b>	National Grid House, Warwick

## Attendees

<b>Name</b>	<b>Initials</b>	<b>Position</b>
Mike Tom	MT	Panel Chair
Jade Clarke	JC	Panel Secretary
Alex Thomason	AT	Code Administrator
Ian Pashley	IP	National Grid Panel Member
Patrick Hynes	PH	National Grid Panel Member
Paul Mott	PM	Users' Panel Member
James Anderson	JA	Users' Panel Member
Michael Dodd	MD	Users' Panel Member
Paul Jones	PJ	Users' Panel Member
Simon Lord (dial-in)	SL	Users' Panel Member
Garth Graham (dial-in)	GG	Users' Panel Member
Kyle Martin (dial-in)	KM	Users' Panel Member
Bob Brown	BB	Consumers' Panel Member
Abid Sheikh (dial-in)	AS	Authority Representative
Claire Kerr	CK	ELEXON
Cem Suleyman	CS	Drax Power (CMP243 Proposer)
Binoy Dharsi (dial-in)	BD	EDF Energy (CMP244 Proposer)

## Apologies

<b>Name</b>	<b>Initials</b>	<b>Position</b>
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All presentations given at this CUSC Modifications Panel meeting can be found in the CUSC Panel area on the National Grid website:

<http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/CUSC/Panel-information/>

### 1 Introductions/Apologies for Absence

4541. Introductions were made around the group. Kyle Martin was only in attendance for part of the meeting (Panel recommendation vote onwards).

### 2 Approval of Minutes from the last meeting

4542. The minutes from the last meeting held on 24 April 2015 were approved subject to changes and are now available on the National Grid website.

### 3 Review of Actions

4543. **Minute 4533: PH to draft Terms of Reference for new Standing Group** – Ongoing - PH advised that this had been discussed within the TCMF and received support from the group. The Terms of Reference for the group is currently being drafted.

4544. **Minute 4534: JC to send note with regards to cancelling special CUSC Panel meeting on 28<sup>th</sup> May 2015** – Complete – MT noted that the CMA have not yet published an interim report and asked the Code Administrator to suggest potential dates for a special CUSC Panel meeting once a report had been published.
4545. **Minute 4537: PH to provide paper to the June CUSC Panel on Implementation** – Ongoing – PH advised that this will be provided to the June CUSC Panel meeting.
4546. JC also referred back to an outstanding action from the previous CUSC Panel meeting '**Minute 4457: JC to find out if it is possible to include additional information on Relevant Interruption claims reports to the CUSC Panel**'. JC advised that this would be possible in the future reports, however it would be difficult to provide this information retrospectively.

#### 4 New CUSC Modification Proposals

4547. **CMP243 'a fixed Response Energy Payment option for all generating technologies'**. CMP243 aims to allow all generators, regardless of technology type, the option of choosing whether their Response Energy Payment (REP) is based on the current methodology or a fixed value suggested at £/MWh. CS presented the background to CMP243, the defect CMP243 seeks to remedy and explained how in his view it meets Applicable CUSC Objectives (a) and (b). CS noted that Response Energy Payments are based on the Market Index Price (MIP) for Mandatory Frequency Response (FR) which was adequate in a system dominated by conventional generation. However, with a significantly changing system with increasing renewable generation, this change is driving increasing volatility of the MIP. CS presented a graph of daily MIP volatility from May 2014 to January 2015 which shows increasing volatility across the nine months.
4548. CS noted that this increased volatility makes it difficult for FR providers to predict and manage which had a negative impact on their submitted FR holding prices.
4549. CS explained that CMP243 proposes that all FR providers are given a choice of;
- a. Retaining the current REP pricing method, or;
  - b. Switching to a fixed price, initially suggested at £0/MWh
4550. The Panel considered the interaction with CMP237. AT noted that the Panel has the ability to reject CMP243 if they think it achieves the same thing as CMP237 and that it was discussed previously as part of CMP237 and the Workgroup decided that the defect CMP243 addresses was separate to the CMP237 defect. AT advised that this may be similar to CMP227 in which the Workgroup considered its interactions with CMP201 and CMP224 and were aware of the progress of the other modifications, however developed the modification based on the current CUSC baseline.
4551. PM noted that if the variant of CMP237 was approved that allows wind to choose how their REP is set, the only interaction would be that the SO has to change their processes not just for wind, but for all generation.
4552. GG noted that the Authority may hold off on making a decision on CMP237 until CMP243 has been developed. MD advised that the Workgroup need to be mindful of how these interactions are presented to the wider industry. The interactions and differences need to be clear within the report.
4553. The CUSC Panel agreed that CMP243 should not be considered as Self-Governance (which AS for Ofgem concurred with) and should be developed by a Workgroup. The

Panel considered whether there is anything that should be added to the Terms of Reference for the CMP243 Workgroup and agreed that the Workgroup should consider and report on the following specific issues;

- a. Does CMP243 apply both to those generators who choose to provide frequency response and those that are asked to provide frequency response by the SO.
- b. Consider the potential interaction with CMP237
- c. Implementation
- d. Review illustrative legal text

4554. **CMP244 ‘Set final TNUoS tariffs at least 15 months ahead of each charging year’.** CMP244 seeks to increase the length of the notice period for TNUoS tariffs (currently 2 months) to a suggested period of 15 months. BD presented the background to CMP244, the defect identified by CMP244 and explained how in his view it meets Applicable CUSC Objective (a).
4555. BD explained that currently customers are given 60 days’ notice of final TNUoS tariffs which become effective on 1<sup>st</sup> April each year and that many customers contract before final tariffs are published which means that they tend to have a risk premium priced into their quote to manage uncertainty. BD noted that this has been proposed as a result of a similar change to distribution charges.
4556. BD advised that CMP244 seeks to ensure a suitable lead time is given on setting final TNUoS tariffs to allow suppliers to remove or reduce risk premiums that are passed onto customers in their contract terms. BD noted that the proposal is seeking a minimum of 15 months’ notice of TNUoS charges ahead of the start of each charging year.
4557. The CUSC Modifications Panel discussed whether there would be any issues they would like a Workgroup to specifically address, from which there were several suggestions from Panel members.
4558. AS noted that a number of issues were being included by the Panel in the CMP244 Workgroup’s Terms of Reference for consideration. AS wondered whether there is merit in the Panel and the proposer considering the wider implications of CMP244 through a pre-modification development process following which the Proposer could bring a modification back to the CUSC Panel once these items had been discussed.
4559. MD questioned whether anything discussed within this pre-modification process would be considered within Ofgem’s final decision, as it would not necessarily be included within the Final CUSC Modification Report which is furnished to the Authority. AS noted that that this proposal could be more developed when starting the CUSC Modifications process following a pre-modification process and that any discussions held in the pre-modification process would not be ruled out within a final decision by the Authority. GG noted that any discussions held or analysis completed by a pre-modification group could be published on the internet and referred to within the CMP244 CUSC Modification Report.
4560. PH noted that this is an issue discussed a few times at TCMF and bilaterally with different parties and the industry are ready to raise this modification and proceed to the CUSC Modifications process.
4561. MD invited the proposer’s view on whether he would be happy to take CMP244 away for further development and then return to the CUSC Modifications Panel in the near future. BD advised that, whilst EDF has raised this modification, it has been collectively discussed by a few industry parties and these parties would expect this

modification to be raised and discussed by the subject experts on the Workgroup. He therefore preferred that this should have no further pre-modification development and should progress, however noted that it would be the CUSC Panel's decision.

4562. The CUSC Panel agreed that CMP244 should not be considered as Self-Governance (which AS for Ofgem concurred with) and should be developed by a Workgroup. The Panel considered whether there is anything that should be added to the Terms of Reference for the CMP244 Workgroup and agreed that the Workgroup should consider and report on the following issues;

- a) What impact will CMP244 have on mid-year tariff changes?
- b) Consider impact on €2.5/MWh limit within EC Regulation 838/2010.
- c) Transition to 15 months' notice
- d) Consider any risks and identify parties who will face these risks.
- e) Measure longer notice periods against increased volatility of tariffs.
- f) TEC Reductions – could notice period / cancellation charge be extended?
- g) Consider interaction with any licence changes.
- h) What would happen if costs fell (and they were not passed onto consumers within 15 months)?
- i) Consider large TO investment and possible delays.
- j) Securities and liabilities for generators
- k) Should the 15 month notice period only apply to demand TNUoS tariffs, or both demand and generation?
- l) Should it be optional for Suppliers to remain on 2 months' notice?
- m) Under and over recovery, how should the consequence of the risk be financed?
- n) What would the situation be with an Independent System Operator?
- o) Implementation
- p) Review illustrative legal text

4563. Considering the length of the proposed Workgroup Terms of Reference, the Panel agreed to give an initial six month period for the Workgroup process. Taking into account the point AS made on a pre-modification process, PH questioned whether they can ask the Workgroup to do an initial consultation to check they have the right scope for the modification and that everything is covered. PH noted that this would not be the standard Workgroup Consultation and that he would expect the Workgroup to have this later on.

4564. AT also suggested that the Workgroup could use TCMF to ask whether the Workgroup have the right scope. BD noted that this issue has already been discussed at the TCMF and any questions raised have been included within the Terms of Reference. BD noted that he would welcome the Panel's suggestion on the best way to proceed.

4565. The Panel agreed to ask the Workgroup to run an initial consultation to get feedback on whether industry parties think they are working to the right scope and ask whether there is anything else that should be considered.

## 5 Workgroups / Standing Groups

4566. **CMP227 'Change the G:D split of TNUoS charges, for example to 15:85'.** CMP227 seeks to change the Generation/Demand split of TNUoS charges, reducing the proportion of TNUoS charges paid by generators.

4567. AT presented the CMP227 Workgroup Report to the CUSC Panel which covered the background to the Modification, details of the Workgroup Consultation, options considered by the Workgroup and the Workgroup conclusions.

4568. AS questioned whether the option which WACM3, WACM4 and WACM5 are based on (G:D split fixed at 4:96 (equivalent to 0.5euro/MWh at current exchange rate)) would change if the exchange rate changes. PH stated that it would not as it is fixed at this number within the legal text.
4569. The CUSC Panel agreed the Workgroup have met their Terms of Reference and agreed for CMP227 to proceed to Code Administrator Consultation. The Consultation will be published by the Code Administrator on 4<sup>th</sup> June 2015 and will be open for a period of 15 Working days.
4570. **CMP237 'Response Energy Payment for low fuel cost Generation'**. CMP237 seeks to take into account the different costs of generators with low or zero energy costs by setting the Response Energy Payment at £0/MWh for certain types of generation.
4571. AT presented the CMP237 Workgroup Report to the CUSC Panel which covered the background to the Modification, details of the Workgroup Consultation, options considered by the Workgroup and the Workgroup conclusions.
4572. The CUSC Panel agreed the Workgroup have met their Terms of Reference and agreed for CMP237 to proceed to Code Administrator Consultation. The Consultation will be published by the Code Administrator on 3<sup>rd</sup> June 2015 and will be open for a period of 15 Working days.
4573. **CMP242 'Charging arrangements for interlinked offshore transmission solutions connecting to a single onshore substation'**. CMP242 aims to ensure that both circuits linking offshore platforms connecting to a common onshore substation and additional capacity that can be utilised on export cables to shore by offshore generation are appropriately charged. JC noted that the Workgroup have had two Workgroup meetings and are currently progressing to the agreed timetable.
4574. **Governance Standing Group (GSG)**. GG advised that there will be a GSG meeting held on 25<sup>th</sup> June 2015. JC advised that only three standing group members have been able to confirm attendance for the next meeting. JC questioned whether the Panel would be happy for the meeting to go ahead with three attendees, or whether they would like the Code Administrator to send an open invite out to the Industry. The Panel were happy for the meeting to go ahead with only three attendees, however asked the Code Administrator to also send out an invitation to the industry.
4575. **Transmission Charging Methodologies Forum (TCMF)**. PH advised the CUSC Panel that there had been a TCMF meeting held on 13<sup>th</sup> May 2015. PH noted that the TCMF discussed BSUoS stability, advising that there is a potential future CUSC Modification Proposal which will aim to make BSUoS more stable. They also discussed Exporting GSPs and that the next consultation on this will be published in June 2015. PH stated that there were also updates on Generator Focused Anticipatory Investment (GFAI) and the new CUSC Issues Standing Group (CISG).
4576. **Commercial Balancing Services Group (CBSG)**. JC noted that there will be a CBSG meeting on 4<sup>th</sup> June 2015 which will include discussions on the development of ancillary services for Pumped Storage and a commercial market for <5 second frequency response.
4577. **Balancing Services Standing Group (BSSG)**. JC noted that there will also be a BSSG meeting on 4<sup>th</sup> June 2015 following the CBSG meeting at which Drax Power will be presenting on volatility in the Response Energy Payment.

## 6 European Code Development

4578. **Joint European Stakeholder Group (JESG).** GG stated that there was a JESG meeting held on 21<sup>st</sup> May and that he was unable to attend the meeting. GG advised that agenda items included updates on HVDC arrangements, transparency lessons learnt, capacity allocation regions and a summary of the European Network Codes.

## 7 CUSC Modifications Panel Vote

4579. **CMP223 'Arrangements for Relevant Distributed Generators under the Enduring User Commitment'**. JC presented the background to the Modification proposal and welcomed questions from the CUSC Panel before the Panel recommendation vote.
4580. CMP223 was sent back from the Authority in October 2014 with a request for further clarification within the Final CUSC Modification report. Neither the Original nor any of its WACMs have changed during this time, so the Panel were asked by MT whether their vote had changed since their original vote in June 2014. The majority of CUSC Panel members stated that their vote had not changed since their first vote, following send back of CMP223. BB chose to change his vote on CMP223.
4581. BB stated that he still considered all of the options to better facilitate the Applicable CUSC Objectives, however he now considers CMP223 WACM1 to best facilitate the Applicable CUSC Objectives, not WACM3 as per his previous vote. BB noted that WACM1 maintains a clear contractual relationship between the DNO and Embedded Generator and encourages the DNO to manage the credit risk and that lines of accountability and responsibility are clearer than the other alternatives and Original.
4582. This change did not affect the overall Panel recommendation with the majority of Panel members still considering CMP223 WACM3 to best facilitate the Applicable CUSC Objectives and therefore recommend that WACM3 is implemented.
4583. **CMP235/236 'Introduction of a new Relevant Interruption type' & 'Clarification of when Disconnection Compensation payments can be expected under a Relevant Interruption'**. JC present the background to the Modification proposal and welcomed questions from the CUSC Panel before the Panel recommendation vote.
4584. The Panel voted on CMP235/CMP236 Original and each of its Alternatives and voted by majority that WACM3 best facilitates the Applicable CUSC Objectives and therefore should be implemented. Further details of the individual votes are outlined below, supporting comment to these votes can be found within the Final CUSC Modification Report.

Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Overall (Y/N)
<b>Paul Mott</b>				
Original	Yes	Yes	Neutral	Yes
WACM1	Yes	Yes	Neutral	Yes
WACM2	Yes	Yes	Neutral	Yes
WACM3	Yes	Yes	Neutral	Yes
WACM4	Yes	Yes	Neutral	Yes
WACM5	Yes	Yes	Neutral	Yes
<b>Michael Dodd</b>				
Original	Yes	Yes	Neutral	Yes
WACM1	Yes	Yes	Neutral	Yes
WACM2	Yes	Yes	Neutral	Yes
WACM3	Yes	Yes	Neutral	Yes
WACM4	Yes	Yes	Neutral	Yes
WACM5	Yes	Yes	Neutral	Yes
<b>Paul Jones</b>				
Original	Yes	Yes	Neutral	Yes
WACM1	Yes	Yes	Neutral	Yes
WACM2	Yes	Yes	Neutral	Yes
WACM3	Yes	Yes	Neutral	Yes
WACM4	Yes	Yes	Neutral	Yes
WACM5	Yes	Yes	Neutral	Yes
<b>James Anderson</b>				
Original	Yes	Yes	Neutral	Yes
WACM1	Yes	Yes	Neutral	Yes
WACM2	Yes	Yes	Neutral	Yes
WACM3	Yes	Yes	Neutral	Yes
WACM4	Yes	Yes	Neutral	Yes
WACM5	Yes	Yes	Neutral	Yes
<b>Garth Graham</b>				
Original	Yes	Yes	Neutral	Yes
WACM1	Yes	Yes	Neutral	Yes
WACM2	Yes	Yes	Neutral	Yes
WACM3	Yes	Yes	Neutral	Yes
WACM4	Yes	Yes	Neutral	Yes
WACM5	Yes	Yes	Neutral	Yes
<b>Kyle Martin</b>				
Original	Yes	Yes	Neutral	Yes
WACM1	Yes	Yes	Neutral	Yes
WACM2	Yes	Yes	Neutral	Yes
WACM3	Yes	Yes	Neutral	Yes
WACM4	Yes	Yes	Neutral	Yes
WACM5	Yes	Yes	Neutral	Yes
<b>Simon Lord</b>				
Original	Yes	Yes	Neutral	Yes
WACM1	Yes	Yes	Neutral	Yes
WACM2	Yes	Yes	Neutral	Yes
WACM3	Yes	Yes	Neutral	Yes
WACM4	Yes	Yes	Neutral	Yes
WACM5	Yes	Yes	Neutral	Yes



Panel Member	Better facilitates ACO (a)	Better facilitates ACO (b)?	Better facilitates ACO (c)?	Overall (Y/N)
<b>Bob Brown</b>				
Original	No	No	Neutral	No
WACM1	Yes	Yes	Neutral	Yes
WACM2	No	No	Neutral	No
WACM3	No	No	Neutral	No
WACM4	Yes	Yes	Neutral	Yes
WACM5	No	No	Neutral	No
<b>Patrick Hynes</b>				
Original	No	No	Neutral	No
WACM1	Yes	Yes	Neutral	Yes
WACM2	No	No	Neutral	No
WACM3	No	No	Neutral	No
WACM4	Yes	Yes	Neutral	Yes
WACM5	No	No	Neutral	No

## 8 Authority Decisions as at 20 May 2015

4585. There were no Authority decisions this month.

## 9 Update on Industry Codes/General Industry Updates relevant to the CUSC

4586. AS noted that Ofgem had published an open letter<sup>1</sup> on Industry Code Governance and that responses are requested on this from stakeholders by 26<sup>th</sup> June 2015. AS stated that Ofgem are aware that there is also an ongoing review by the Competition and Markets Authority (CMA) considering governance aspects, however the open letter itself is more of a post implementation review by Ofgem of the code governance reviews they have previously done. AS noted that Ofgem have taken concerns on board and are now asking for views on what has already been changed through previous Code Governance Reviews and whether there are any further potential areas for improvement.

4587. It was noted that if there are any concerns around the CUSC Panel, the CUSC Panel would like to know about this so they have an opportunity to be aware and possibly change their way of working. BB encouraged Ofgem to feed back to the Panel Chair if there is anything that they think the Panel should change where appropriate.

4588. AS noted that Ofgem recognise that the various Panels and Code Administrators work under their own governance arrangements and that there is a balance to be struck between this and how prescriptive Ofgem can be on governance matters.

4589. GG noted that it is suggested that there could potentially be a window where customers can raise charging modifications, so that they are assessed in parallel and in time to submit for the 1<sup>st</sup> April deadline. GG thought there maybe a danger with having all the charging modifications submitted at the same time and suggested that it may overburden Ofgem to make decisions on them all in a short space of time.

4590. MT asked whether the Panel wished to provide a response to the open letter. PJ's view was that the Panel's input should purely be factual and would not necessarily provide a view. GG advised that the CUSC Panel simply discuss the open letter at the Special CUSC Panel meeting planned to be held at some point in July, rather

<sup>1</sup> <https://www.ofgem.gov.uk/publications-and-updates/open-letter-further-review-industry-code-governance>



than submitting a response to the open letter. PH questioned whether any of the other Panels were responding to the open letter. As far as Panel members knew, no other Panels were responding to the open letter.

- 4591. The Panel agreed not to submit a response to the open letter as a Panel, however agreed to discuss it if necessary at the special CUSC Panel meeting which will be scheduled at some point in July.
- 4592. PH advised that there may be a need to bring forward a further CUSC Modification on Charging on BSC Modification P272. Given the nature of the modification, PH noted that National Grid should be able to avoid raising an urgent modification, however if this is the case, the Panel will be forewarned.
- 4593. PH also noted that National Grid is looking at delay charges and that there had been an open letter<sup>2</sup> on this published recently. PH stated that there will be a modification on this brought forward soon.
- 4594. BB noted that at the last BSC Panel, there was a discussion on the modifications process and one of the lessons is to drill down on implementation issues.

## 10 CACoP draft Principle 13

- 4595. AT advised that the Code Administrator had circulated the latest draft of Principle 13 to the CUSC Panel and that this is the revised version after providing comment in the March 2015 Panel meeting. AT explained the changes that had been made since the last Panel and advised that any comments received on the new draft will be fed back to ELEXON and then the latest draft will be sent out to consultation.
- 4596. The Panel had no further comments on the latest draft of CACoP Principle 13.

## 11 AOB

- 4597. GG noted comments he had made at the January CUSc Panel meeting and questioned whether PH could provide an update to the July CUSC Panel meeting on the impact of the recent changes in exchange rate in relation to CMP224 and the £/euro exchange rate.
- 4598. PH noted the CMP224 Workgroup came up with the solution and there was no intention of reviewing this.
- 4599. GG noted that there is a legal requirement to stay within the €2.5/MWh limit set out by the EC regulation 838/2010 (Part B) and that it needs to be reviewed to make sure the limit is not being breached.
- 4600. PH agreed to provide an update using the OBR forecast.

**ACTION: PH to provide update to July CUSC Panel meeting on the impact of recent changes in exchange rate in relation to CMP224.**

## 12 Next meeting

- 4601. The next CUSC Panel meeting will be held on 26<sup>th</sup> June 2015 at National Grid House, Warwick.

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<sup>2</sup> <http://www2.nationalgrid.com/UK/Industry-information/System-charges/Electricity-transmission/Transmission-Network-Use-of-System-Charges/Tools-and-Data/>